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SUBJECT: MACEDONIA: MAJOR CORRUPTION PROSECUTIONS UPDATE

REF: A. 07 SKOPJE 492

[1](#)B. 07 SKOPJE 615

#### Summary

[1](#)1. (SBU) The GOM's anti-corruption efforts are steadily progressing (reftels), including the on-going "big fish" trials of a prominent Macedonian businessman and a former National Bank Governor. The government's corruption-fighting record shows it is willing to investigate and prosecute at least some prominent personalities and officials formerly connected to parties now in power. End summary.

#### Trial Of Businessman, Former National Bank Governor

[1](#)2. (U) The GOM has demonstrated since it took power in August 2006 that it is willing to prosecute on corruption charges officials and businessmen who once were associated with the ruling VMRO-DPMNE party, including a former customs director and former executives of a state-owned company (ref A). In July 2007, a Macedonian court also convicted on embezzlement and forgery charges prominent Macedonian business executive Metodija Smilenski, once a close associate of Ljubco Georgievski, the former VMRO-DPMNE Prime Minister (1998-2002).

[1](#)3. (U) In November 2007, an appellate court upheld Smilenski's conviction on the more serious counts of embezzlement, while ordering a retrial on the forgery charge. The appellate court reduced Smilenski's prison sentence slightly, from four years to 3.5 years, but confirmed a fine levied against him of two million euros. Smilenski remains in prison pending his retrial on the forgery charge.

[1](#)4. (U) A separate trial on corruption charges against Smilenski, along with his co-defendant and former National Bank Governor Ljube Trpeski (ref B), is ongoing, with the prosecutor hopeful that the trial will conclude this March. Smilenski, who in addition to his private business pursuits once served as director of Macedonia's Export Import (Ex-Im) Bank, and Trpeski are alleged to have colluded in engineering a fraudulent 30 million euro loan from the National Bank to the Ex-Im Bank in 2002. The money was never repaid, and prosecutors say it ended up in various accounts controlled by Smilenski.

[1](#)5. (U) Due to the financial complexity of the case, the presiding judge recently asked outside financial experts to clarify certain legal and technical issues surrounding the transaction. The experts' findings will be presented at the next session of the trial, scheduled for February 4. Trpeski, who has family ties to Deputy Prime Minister Zoran Stavreski, has claims to have

documentation showing that his approval of the loan was fully transparent and legal.

#### Operation "Snake Eye" Nets Toll Collectors

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¶6. (U) Macedonians have long believed the road toll collection system is corrupt, with toll collectors often pocketing customer payments and sharing them with supervisors. Starting in November, the police operation "Snake Eye" began targeting toll collectors, resulting in the arrests of 80 employees of the Public Enterprise for National Roads, including six managers. The corrupt toll collection ring is estimated to have cost the government \$18 million annually in lost revenues. Although the police have not netted any "big fish" in the operation, the investigation is ongoing and the police continue to arrest suspects. To date, however, no "Snake Eye" defendant has gone to court.

#### Comment

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¶7. (SBU) The government has shown in the Smilenski and Trpeski cases that it has the political will to investigate and prosecute prominent figures with close ties - past and present - to VMRO-DPMNE. The GOM's handling of other corruption cases (ref b) also shows a willingness to prosecute officials who had ties to the governing party in the past. The "Snake Eye" arrests demonstrate the GOM's willingness to go after a lucrative corruption ring that until recently operated freely, although the question still remains whether the government will prosecute top officials in the current government if they are found to have been involved in those corrupt activities. End comment.

Milovanovic